



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution Authorizing the City Manager to Enter Into a Letter of Agreement Between the City of Lodi and Ralcorp/Cottage Bakery for the Sale of Designated Electric Distribution Facilities (\$166,234) (EUD)

MEETING DATE: August 4, 2010

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: Adopt a resolution authorizing the City Manager to enter into a Letter of Agreement between the City of Lodi and Ralcorp/Cottage Bakery for the sale of designated Electric Distribution Facilities in the amount of \$166,234.

BACKGROUND INFORMATION: Ralcorp/Cottage Bakery (RCB) currently has one utility account assigned to the G5 secondary rate tariff. Representatives from RCB met with the Lodi Electric Utility Department (EUD) earlier this year, requesting that the existing 480-volt secondary account be transferred to lower-cost G5 primary service.

To accomplish this task, RCB would buy the existing secondary distribution equipment, including five transformers, and replace five secondary meters with two new primary electric meters. RCB will pay EUD \$166,234 for the existing facilities and for EUD labor, materials and equipment to install the new meters and make upgrades requested by RCB. RCB will become responsible for future maintenance and replacement of the transferred equipment and its electrical losses.

The proposed arrangement conforms to past practice and City Council-approved Electric Rules and Regulations. Over the past several years, the City has engaged in similar primary-metered projects with CertainTeed Corporation, Lodi Iron Works and Schaefer Systems, Incorporated.

It is anticipated that this project would be completed by October 1, 2010.

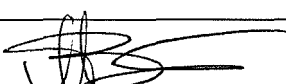
FISCAL IMPACT: The initial sale of facilities and services will result in revenue to the EUD in the amount of \$166,234. The primary rate is approximately 4 percent lower than the secondary rate, however, this lower rate is offset by reduced maintenance and replacement expenses. Net fiscal impact is insignificant to the Utility.

FUNDING: Not applicable.


Elizabeth A. Kirkley
Electric Utility Director

Prepared By: Rob Lechner, Manager, Customer Service & Programs
EAK/RSL/lst

APPROVED:


Konradt Bartlam, Interim City Manager

LETTER OF AGREEMENT: SALE OF MUNICIPAL FACILITIES

BETWEEN

THE CITY OF LODI

AND

RALCORP/COTTAGE BAKERY

This Letter of Agreement (LOA) is between the City of Lodi (COL) and Ralcorp/Cottage Bakery (RCB). By way of this signed LOA, RCB agrees to purchase and maintain designated electric utility facilities as identified on the attached Appendix A.

In summary, RCB will purchase designated overhead electric distribution facilities located at the customer's plant site of 40 Neuharth Street, as well as five transformers. In addition RCB agrees to purchase all necessary primary metering equipment and compensate the COL for all required labor costs to install said equipment.

In purchasing the aforementioned equipment (transformers and overhead electric distribution facilities) RCB also agrees that, henceforth, RCB becomes responsible for said equipment and to pay for all maintenance, repairs, and replacements necessary for maintaining said equipment in good and safe working condition and RCB becomes responsible for any electrical losses within the designated electric utility facilities.

The total purchase price of the equipment and associated labor costs listed on Appendix A is in the amount of \$166,234.00. *Note: in the event that the labor required to perform this project occurs outside COL normal operating hours (7:00am to 4:30pm, Monday through Friday, excluding holidays and other non-work days), RCB will be charged any/all additional labor costs above and beyond the costs identified on Appendix A.*


RCB agrees to compensate the COL for the total amount listed in the LOA prior to completion of said project.

IN WITNESS HEREOF, the parties hereto have entered into this Letter of Agreement dated August —, 2010.

CITY OF LODI, a municipal corporation

RALCORP/COTTAGE BAKERY

By: _____
Konradt Bartlam
Interim City Manager

By: 
Title: Plant Manager

ATTEST:

Randi Johl, City Clerk

APPROVED AS TO FORM:

D. Stephen Schwab
City Attorney 

APPENDIX 'A'

| | Installation | Depreciated Allowance | Buy Out Cost/Total |
|--|--------------|--------------------------|--------------------|
| Purchase existing plant & install additional facilities | \$61,109 | \$1,403 | \$59,705 |
| Purchase existing padmount transformer & overhead trans. | \$117,690 | \$30,599 | \$87,091 |
| Labor and material costs to install primary metering equipment | | | \$19,438 |
| Total | | | \$166,234 |

Depreciation for overhead material (OHM) based on **40** years service life.

Depreciation for padmount transformer based on 30 years service life.

The scope of work includes, but is not limited to:

- 1) Underbuild a customer owned 12kV line.
- 2) Install two separate 12 kV 3-phase metering facilities.
- 3) Lower 4 existing riser assemblies.
- 4) Customer to install 2 metering cabinets to City specifications, at the customers expense.

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING THE
CITY MANAGER TO ENTER INTO A LETTER OF AGREEMENT BETWEEN
THE CITY OF LODI AND RALCORP/COTTAGE BAKERY FOR THE SALE OF
DESIGNATED MUNICIPAL ELECTRIC DISTRIBUTION FACILITIES

WHEREAS, Ralcorp/Cottage Bakery (RCB) currently has one utility account assigned to the G5 secondary rate tariff; and

WHEREAS, representatives from RCB have requested that the existing 480-volt secondary account be transferred to G5 primary service at 12,000 V, and in order to accomplish this task, would buy the existing secondary distribution equipment, including five transformers and replace five secondary meters with two new primary electric meters; and

WHEREAS, RCB will pay City of Lodi Electric Utility Department (EUD) \$166,234 for said facilities and EUD labor, materials, and equipment to install the new meters and make upgrades requested by RCB; RCB will become responsible for maintenance and replacement of the transferred equipment and its electrical losses; and

WHEREAS, the proposed arrangement conforms to past practice and City Council-approved Electric Rules and Regulations; and

WHEREAS, staff recommends entering into a Letter of Agreement with RCB for the facilities and upgrades as outlined above, thus allowing staff to order the required primary metering equipment and related materials.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager to enter into a Letter of Agreement between the City of Lodi and Ralcorp/Cottage Bakery for the sale of designated municipal electric distribution facilities in the amount of \$166,234.00. This figure includes the purchase of five transformers, primary metering equipment, and labor costs associated with the installation of said equipment and upgrading the existing system to accommodate the customer's need.

Dated: August 4, 2010


I hereby certify that Resolution No. 2010-134 was passed and adopted by the City Council of the City of Lodi in a regular meeting held August 4, 2010, by the following vote:

AYES: COUNCIL MEMBERS – Hansen, Hitchcock, Johnson, and
Mayor Katzakian

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – Mounce

ABSTAIN: COUNCIL MEMBERS – None


RANDI JOHL
City Clerk